

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1824-02
Bill No.: HCS for HB 844
Subject: Contracts and Contractors; Political Subdivisions
Type: Original
Date: April 8, 2015

Bill Summary: This proposal modifies provisions related to construction management.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government*	\$0	\$0	\$0

*Distribution increase (decrease) net to zero.

FISCAL ANALYSIS

ASSUMPTION

Officials at the **City of Columbia** assume this proposal could add an unknown amount of cost to City building projects.

Officials at the **City of Jefferson** state there could be cost savings from this proposal, but were unable to determine the amount.

Officials at the **Department of Economic Development** deferred their response to the Office of Administration.

Officials at the **Office of Administration's Facilities Management, Design and Construction (FMDC)** assume the cost can be absorbed in the overall project cost which will result in fewer projects or a limited scope of projects due to our limited funding. If the proposal results in a significant reduction in projects or project scopes, FMDC may require additional appropriations.

Oversight assumes from this proposal that it refers to requirements for design-build projects for local political subdivisions and would not have an affect on state funding. Therefore, Oversight will reflect a no impact to state funds from this proposal.

Officials at the **Office of Administration's Purchasing and Materials Management**, the **Department of Labor and Industrial Relations** and the **Department of Insurance, Financial Institutions and Professional Registration** each assume no fiscal impact to their respective agencies from this proposal.

Officials at the **City of Kansas City**, the **Callaway County Commission** and the **Platte County Board of Election Commission** each assume no fiscal impact to their respective entities from this proposal.

Oversight assumes from this proposal that some local political subdivisions will have a savings and other local political subdivisions will have costs from this proposal. The difference would be a zero impact over time. Therefore, Oversight will reflect the impact to local political subdivisions as a net \$0 fiscal impact.

ASSUMPTION (continued)

Officials at the following counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Pulaski, Scott, Shelby, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
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LOCAL POLITICAL SUBDIVISIONS

<u>Savings</u> - Local Political Subdivisions - relating to design build contracts	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Costs</u> - Local Political Subdivisions - relating to design build contracts	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill repeals the provision prohibiting a construction manager from bidding or performing the actual construction on a public works project in which he is acting as construction manager and any construction firm which controls, is controlled by, or shares common ownership or control with the construction manager from being allowed to bid on or perform work on the project. The bill allows a construction manager to bid on or perform any of the actual construction on a public works project in which he is acting as a construction manager but only if the construction manager submits a sealed bid in the same manner as a trade contractor. The bill specifies that all successful bidders that contract directly with the public owner must provide payment and performance bonds to the public owner.

The bill revises the provision that prohibits a construction management services contract from being awarded by a public owner on a negotiated basis if the construction manager or a firm that controls, is controlled by, or shares common ownership or control with the construction manager, guarantees, warrants, or otherwise assumes financial responsibility for the work of others on the project; provides the public owner with a guaranteed maximum price for the work of others on the project; or furnishes or guarantees a performance or payment bond for other contractor on the project and requires the contract for construction management services to be let by competitive bidding by allowing construction management services to be awarded on a negotiated basis regardless of those conditions and allows the construction manager to enter into contracts with the successful bidders. The bill authorizes any political subdivision to enter into design build contracts for construction projects exceeding \$1 million. In its main provisions, the bill:

- (1) Establishes design-build contract procedures;
- (2) Requires the political subdivision to adopt procedures for requesting proposals and evaluating and awarding contracts from a minimum of three and a maximum of five pre-qualified design builders;
- (3) Requires that separate proposals be submitted for design builder qualifications and the cost of design and construction. The qualifications proposal must be opened and ranked prior to opening the cost proposal;
- (4) Requires a political subdivision to award stipends to pre-qualified offerors under conditions specified in the bill;
- (5) Establishes advertising requirements and procedures for submitting and opening proposals and for re-advertising when necessary;
- (6) Specifies that payment bonds are required, but the performance bond does not need to cover the design services if the design builder or subcontractor providing design services carries professional liability insurance in the amount established in the request for proposal;

FISCAL DESCRIPTION (continued)

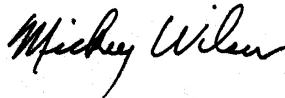
- (7) Requires architects, engineers, landscape architects, and land surveyors providing services for the design-builder to be licensed or authorized in this state unless the subcontractors performing the services are properly licensed; and
- (8) Requires the political subdivision planning a design-build project to retain an architect or engineer.

HCA 1: Removes the \$1 million cap on design-build contracts so that all types of contracts may be design-build and makes technical changes.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

City of Kansas City
City of Jefferson
Department of Economic Development
Office of Administration
 Facilities Management, Design and Construction
 Purchasing and Materials Management
Department of Insurance, Financial Institutions and Professional Registration
Department of Labor and Industrial Relations
Callaway County Commission
Platte County Board of Election Commission
City of Columbia



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April 8, 2015

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April 8, 2015